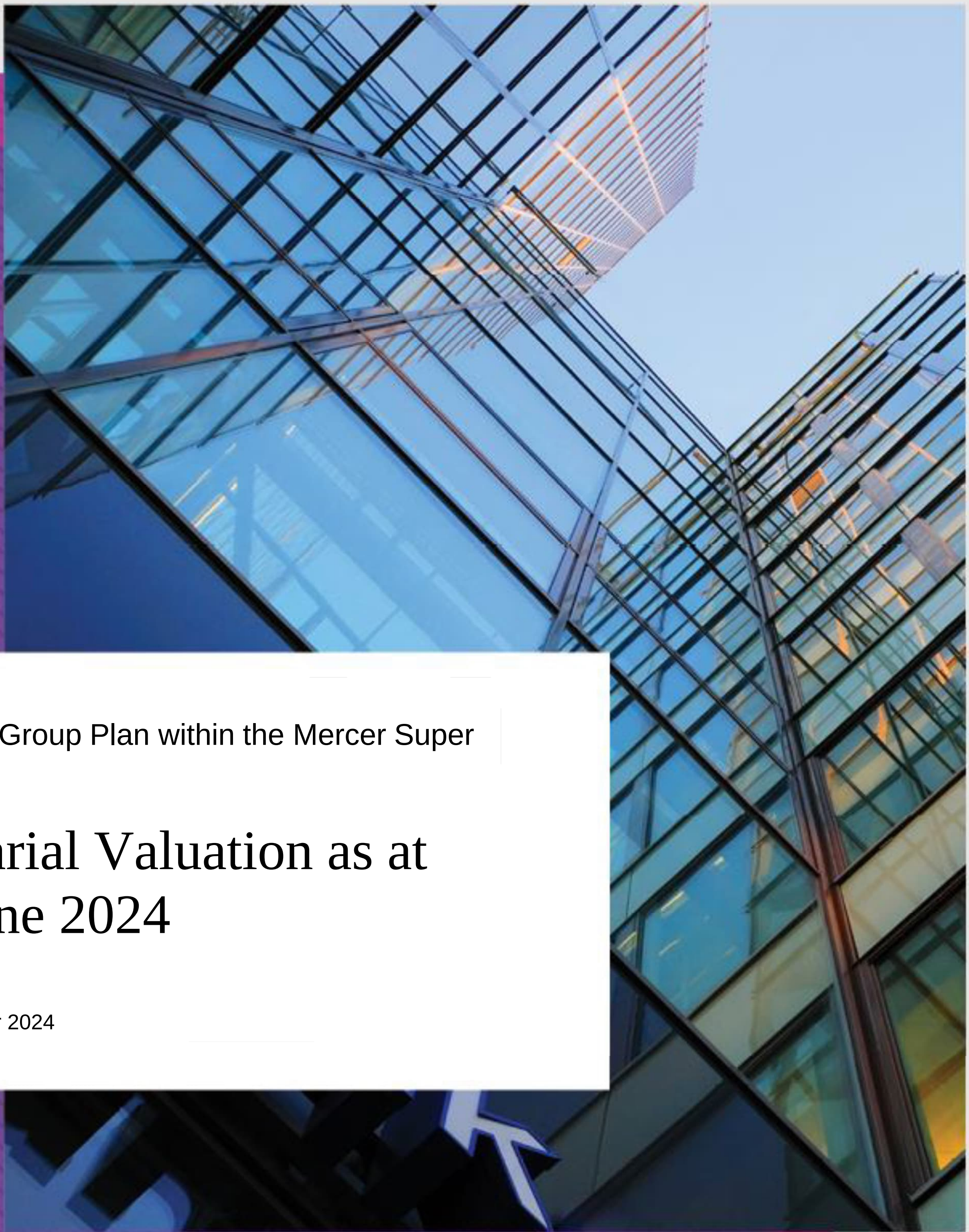

Westpac Group Plan within the Mercer Super Trust

Actuarial Valuation as at 30 June 2024

11 December 2024

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Towers Watson Australia Pty Ltd
ABN 45 002 415 349 AFSL 229921

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Reliance statement and data

This report is provided subject to the terms set out herein and in our engagement letter dated 3 February 2023 and the accompanying Terms and Conditions of Engagement. This report is provided solely for the Trustee's use and for the specific purposes indicated above. It may not be suitable for use in any other context or for any other purpose.

Except where we expressly agree in writing, this report should not be disclosed or provided to any third party, other than as provided below. In the absence of such consent and an express assumption of responsibility, no responsibility whatsoever is accepted by us for any consequences arising from any third party relying on this report or any advice relating to its contents.

The Trustee may make a copy of this report available to its auditors, the Bank and to any person to whom the Trustee may be required to provide a copy under relevant legislation, but we make no representation as to the suitability of this report for any purpose other than that for which it was originally provided and accept no responsibility or liability to the Trustee's auditors or the Bank in this regard. The Trustee should draw the provisions of this paragraph to the attention of its auditors and the Bank when passing this report to them.

We consent to the Trustee making a copy of this report available on the Plan’s website where required in accordance with the relevant legislation.

In preparing this investigation, we have relied upon information and data provided to us orally and in writing by the Trustee and other persons or organisations designated by the Trustee. We have relied on all the data and information provided, including Plan provisions, membership data and asset information, as being complete and accurate. We have not independently verified the accuracy or completeness of the data or information provided, but we have performed limited checks for consistency. The data and information we have relied upon is shown in Section 2.

In our opinion, all calculations are in accordance with requirements of applicable legislative requirements, and the procedures followed, and the results presented conform with applicable actuarial standards of practice.

The valuation results depend on the valuation assumptions we have adopted being borne out in the future. We refer you to Section 9 where we examine the impact of variations in future experience and material risks.

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Section 1: Purpose and Summary

The Westpac Group Plan (the Plan) within the Mercer Super Trust (MST) is effectively comprised of two sections, the Accumulation Plan and the Defined Benefit Plan.

The Defined Benefit Plan provides benefits which are of the *"defined benefit"* type where benefits are primarily defined by Salary and period of membership. With such a plan, a regular actuarial review is necessary to:

- examine the sufficiency of the assets in relation to members' accrued benefit entitlements
- determine the recommended Bank contribution rate required to ensure that the Plan maintains a satisfactory financial position. Under Clause 1.13(b) ("Employer Contributions") of the Participation Schedule, the Participating Employer shall consider the advice of the Actuary to the Trustee and determine the contributions required to provide benefits.
- examine the suitability of the Plan's insurance and investment arrangements
- satisfy the requirements of the Participation Schedule, and
- meet legislative and prudential standard requirements; in particular paragraph 23 of Prudential Standard 160 Defined Benefit Matters ("SPS 160").

A regular actuarial review is not needed in respect of the Accumulation Plan while the Bank is making the required contributions in respect of members of the Accumulation Plan. The assets and liabilities of the Accumulation Plan are matched at all times. All assets and liabilities, and experience, of the Accumulation Plan are excluded from this report.

This report has been prepared for Mercer Superannuation (Australia) Limited (the Trustee), in my capacity as RSE Actuary to the Plan. The Effective Date of this actuarial investigation is 30 June 2024.

This report satisfies both the requirements of the Participation Schedule and superannuation regulation.

This report has been prepared in accordance with *Professional Standard 400*, dated October 2024, issued by the Actuaries Institute.

The most recent investigation of the Plan was undertaken by me effective at 30 June 2023 with the results set out in a report dated 21 December 2023.

Member Data and Assets

There were 1,126 active Defined Benefit Members as at 30 June 2024 with total superannuation salaries of $154.8 million and 2,115 lifetime pensioners with pensions of $72.9 million p.a. in payment (excluding those pensions that have been temporarily commuted).

The market value of the net assets available for defined benefit funding purposes as at 30 June 2024 was $2,125.1 million. This is net of the Plan's self-insurance reserve and does not include the value of the Operational Risk Funding Requirement (ORFR) reserve which is held separately.

Funding Status Measures

The table below summarises the Plan's funding status at the investigation date under a number of different liability measures (in respect of defined benefit liabilities only).

	Vested Benefits	Actuarial Value of Accrued Benefits	Long Term Funding Level[1]	Minimum Benefits
Net Assets ($m)	$2,125.1	$2,125.1	$2,125.1	$2,125.1
Liabilities ($m)	$1,876.7	$1,922.5	$1,999.4	$1,748.2
Surplus ($m)	$248.4	$202.6	$125.7	$376.9
Index	113.2%	110.5%	106.3%	121.6%

[1] The Bank's funding policy targets a long-term funding level of 104% of the Present Value of Accrued Benefits.

At the investigation date, the Plan was solvent and was in both a satisfactory financial position (with reference to vested benefits) and adequate financial position (with reference to the actuarial value of accrued benefits).

Bank Contributions

Having regard to the funding status and the projections over the next three years under the valuation assumptions, we recommend that the Bank pay contributions in respect of Defined Benefit Members of no less than:

- 19.5% of active defined benefit members' superannuation salaries from 30 June 2024 to 31 March 2025, plus
- 16.9% of active defined benefit members' superannuation salaries from 31 March 2025, plus
- the cost of members' nominated and voluntary salary sacrifice contributions, plus
- the cost of any additional contributions of the Bank in respect of service recognition contributions and pre-elected bonus contributions and any extra contributions required to satisfy the SG requirement in respect of a member.

In relation to the Accumulation Plan, in respect of Accumulation Members:

- we understand the Bank contributes at the rates specified in the SG legislation, or such other rates as applicable to the terms of the benefit design applicable to the relevant Accumulation Member, and
- we have been advised that the Bank contributes a monthly amount, determined by Mercer, to fund the death, total and permanent disablement (TPD), and total and temporary disablement premiums in respect of Accumulation Members, and that any difference between the amounts contributed and actual premiums is reconciled and adjusted monthly.

Shortfall Limit

As required under SPS 160 we have previously recommended that the Trustee set the Shortfall Limit for the Plan at 98% of vested defined benefit liabilities. We consider the Shortfall Limit is appropriate given the nature of the defined benefit assets and liabilities.

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Superannuation Guarantee

The Bank's Superannuation Guarantee obligation is fully met for all Members by the minimum benefits provided under the Plan. The current Benefit Certificate is dated 14 August 2023. A Funding and Solvency Certificate dated 14 August 2023, and effective from 1 April 2023, has been issued to the Trustee corresponding to the above mentioned Benefit Certificate.

Investments

The Trustee has developed formal objectives for the investment of the Defined Benefit Plan's assets.

At 30 June 2024, the investment strategy involved having the assets supporting the defined benefit liabilities of employee members in the DB Actives Pool invested roughly 70% in growth assets such as shares and property and roughly 30% in income assets such as cash and bonds, while the assets supporting the pensioner liabilities in the DB Pensions Pool are invested roughly 50% in growth assets and roughly 50% in income assets.

Given the increase in the size of the DB Pensions Pool relative to the DB Actives Pool in recent years, and the expected continuation of this increase in future years (as detailed in Section 3), I recommend that the Trustee seeks the Bank's confirmation of its comfort with the potential volatility of short-term investment returns and the resulting impact on the Plan's financial position and the Bank's contribution requirements.

The current investment strategy is considered suitable to the Defined Benefit Plan's liabilities in respect of defined benefit membership at 30 June 2024, on the understanding that the Bank confirms its comfort with the volatility of investments returns, and the potential effect on Bank contributions, associated with such a strategy.

Insurance

The Plan's insurance arrangements in respect of Accumulation Members, as well as the insurance arrangements in respect of defined benefit members' total and temporary disablement benefits, and 100% lump sum death and TPD benefits, are considered adequate as at 30 June 2024.

In respect of the self-insurance resulting from the additional value of the pension option on the future service component of death and TPD benefits for defined benefit members, I recommend that the reserve be reduced to $255,000 and be reviewed again as part of the next actuarial investigation effective 30 June 2027.

Defined Benefit Pensions

I believe there is a high probability that the Plan will be able to pay the pensions as required under the Plan's governing rules.

Next Investigation

As the Plan pays defined benefit lifetime pensions the Trustee is required to undertake an annual actuarial investigation of the Plan. The next investigation is therefore required with effect on or before 30 June 2025.

Vested Benefits coverage of the Defined Benefit Plan should continue to be monitored at least on a quarterly basis.

Yours sincerely

Luke Carroll
Fellow of the Institute of Actuaries of Australia
RSE Actuary to Plan

11 December 2024

Towers Watson Australia Pty Ltd
ABN 45 002 415 349 AFSL 229921
Level 16, 123 Pitt Street
Sydney NSW 2000
Australia

T +61 2 9285 4000

D:HN | TR:RC | ER,CR:LAC | SPR:NW

https://wtwonlineau.sharepoint.com/sites/tctclient_656448_WGP2024/Documents/04.01_Actl_Valn/Deliverables/WGP Actuarial Valuation Report 30 June 2024.docx

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Section 2: Background and Data

The Westpac Group Plan (the Plan) is an employer sub-plan within the Mercer Super Trust (MST).

A summary of the Plan's history is set out below.

- The Australian Staff Superannuation Scheme was initially established by a Trust Deed dated 18 September 1981. It was renamed the Westpac Staff Superannuation Plan (the "Original WSSP Plan") in 1992. All assets and liabilities of the Original WSSP Plan were transferred via a successor fund arrangement into a plan within BT Retirement Wrap (the "BT WSSP Plan"), effective 30 September 2011. All assets and liabilities of the BT WSSP Plan were then transferred under an inter-fund transfer arrangement into the BT Super for Life Westpac Group Plan (the "Former BT WGP") effective 31 March 2012.
- Effective 30 April 2012, the members of the St George Staff Super sub-plan within the Plum Superannuation Fund ("Plum") transferred under a successor fund arrangement into the Former BT WGP. Those former Plum members entitled to purely accumulation benefits became Accumulation Members of the Former BT WGP. Those former Plum members with defined benefit entitlements became Defined Benefit Members of the Former BT WGP.
- Effective 1 April 2023, the Former BT WGP transferred into the MST under a successor fund transfer arrangement.

The Plan is governed by:

- a Participation Agreement (including Schedule 1 – Participation Schedule) dated 31 March 2012 between Westpac Banking Corporation and BT Funds Management Limited, novated under the Novation Agreement dated 1 April 2023 between Westpac Banking Corporation and Mercer Superannuation (Australia) Limited ("the Novated Participation Agreement"), and
- the Trust Deed of the Mercer Super Trust dated 28 June 1995, as amended.

The Mercer Super Trust is a complying superannuation fund under the SIS Act and for taxation purposes.

Members of the Plan can be categorised as either Accumulation Members or Defined Benefit Members, due to the nature of their primary benefit entitlements. Defined Benefit Members include pensioners whose pension is of a defined benefit nature.

The Defined Benefit Plan covers the defined benefit liabilities of Defined Benefit Members. As such, the liabilities and associated assets of the Defined Benefit Plan exclude the accumulation add-on benefits of Defined Benefit Members that are subject to member investment choice. The accumulation add-on benefits of Defined Benefit Members subject to investment choice are included in the Accumulation Plan.

The assets of the Defined Benefit Plan are held in two pools known as the DB Actives Pool (in respect of employee members) and the DB Pensions Pool (in respect of pensioners). Collectively, the DB Actives Pool and DB Pensions Pool and the associated Defined Benefit Member liabilities are referred to as the Defined Benefit Plan in this report.

Consequently, in this report, where we refer to assets and liabilities in respect of Defined Benefit Members, we are excluding the "SuperSave" accounts in the case of the Original WSSP members and accumulation add-on entitlements of former Plum defined benefit members that are subject to member investment choice, as these are invested as part of the assets supporting the Accumulation Members' entitlements in the Accumulation Plan. We also exclude the assets and liabilities in respect of Accumulation Members, which are also included in the Accumulation Plan, in this report.

The Defined Benefit Plan is closed to new defined benefit employee members.

Under Clause 1.3(b) ("Employer contributions") of the Participation Schedule, the Participating Employer shall consider the advice of the Actuary to the Trustee and determine the contributions required to provide benefits.

Under Clause 1.5(f) ("Augmentation of benefits") the Trustee may augment a Member's benefit entitlement as requested by the Participating Employer, except to the extent that the Employer does not pay such additional contributions which the Trustee determines, after receiving advice from the Actuary, are necessary to ensure the stability of the Plan.

A summary of the main Defined Benefit Plan benefits is included as Appendix A to this report.

Previous Recommendations

In our report on the actuarial investigation of the Plan effective 30 June 2023, we recommended that the Bank pay contributions in respect of Defined Benefit Members of:

- 19.5% of active defined benefit members' superannuation salaries from 30 June 2023, plus
- $30 million during the year to 30 June 2024 (the final instalment of a program established as part of the 30 June 2021 actuarial investigation of the Former BT WGP), plus
- the cost of members' nominated and voluntary salary sacrifice contributions, plus
- the cost of any additional contributions of the Bank in respect of service recognition contributions and pre-elected bonus contributions and any extra contributions required to satisfy the SG requirement in respect of a member.

Due to the Plan's improved financial position, it was recommended during the year to 30 June 2024 that the final $30 million instalment would not be required.

We also recommended the following:

- that the Trustee seek the Bank's confirmation of its comfort with the potential volatility of short term investment returns and the resulting impact on the Plan's financial position and the Bank's contribution requirements. We understand that the Trustee has had initial discussions with the Bank, and we recommend that these discussions continue and a final confirmation sought from the Bank.

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Sources of Information

For membership data, we have relied on the administrative records at 30 June 2024 provided to us by MUFG, the Plan's administrator.

For asset data, we have relied on information provided by Mercer in respect of the DB Actives Pool and DB Pensions Pool as at 30 June 2024, and information concerning asset allocations and investment objectives supplied by Mercer.

Where possible, the information provided has been checked for reasonableness and is considered suitable for the purposes of this investigation.

Data

The membership details are summarised in Appendix B. In brief, there were 1,126 active Defined Benefit Members as at 30 June 2024 with total superannuation salaries of $154.8 million and 2,115 lifetime pensioners with pensions of $72.9 million p.a. in payment (excluding those pensions that have been temporarily commuted).

We have checked a sample of the membership data for internal consistency and are satisfied as to the accuracy of this sample.

Since the previous investigation at 30 June 2023, the average attained age of Defined Benefit Members has increased from 55.9 years to 56.4 years. The average completed membership of Defined Benefit Members has also increased from 30.3 years to 31.1 years.

There were 1,126 active members of the Defined Benefit Plan at the investigation date who were present at the previous investigation. Their salaries over the period since the last investigation as at 30 June 2023 have increased on average by 3.4%.

Section 3: Assets and Investment Strategy

Accounts

We have been supplied with unaudited accounts by Mercer as at 30 June 2024.

Net Market Value of Defined Benefit Plan assets

A summary of the market value of the Defined Benefit Plan's assets in respect of Defined Benefit Members at 30 June 2024 is summarised below:

Market Value of Net Assets at 30 June 2024	$ million
Invested Assets – DB Actives Pool	1,021.7
Invested Assets – DB Pensions Pool	1,103.1
Cash at Bank	5.2
Accruals	(4.5)
Self-insurance reserve	(0.4)
Net Assets	**2,125.1**

The Market Value of the Net Assets ("Net Assets") are the net assets available to meet the Defined Benefit Plan's defined benefit liabilities as used in determining the contribution recommendations and Funding Status Measures at the investigation date.

The Trustee maintains an operational risk financial requirement (ORFR) reserve in respect of the Defined Benefit Plan, however the ORFR reserve is handled outside the Defined Benefit Plan, in conjunction with the other arrangements under the MST.

Suitability of Crediting Rate

The Trustee credits Defined Benefit Members' accounts (excluding SuperSave and additional accumulation accounts) with actual investment returns (net of taxes and investment management costs) earned on the underlying assets of the DB Actives Pool over the year ending 30 June. These returns are also net of asset-based administration fees. An interim crediting rate is used for the last part-year period when calculating exit benefits. This interim crediting rate is set using a combination of known actual returns for the part-year period and future forecast returns for the remainder of the year. I consider this crediting rate policy to be suitable.

Nature of Defined Benefit Liabilities

The level of the defined benefit liabilities does not bear the same direct relationship with the defined benefit assets as exists with accumulation liabilities (where the assets and liabilities are generally matched).

The defined benefit liabilities reflect membership and salary growth, whereas the supporting assets depend on a range of factors including:

i. the level of Bank contributions, and

ii. the level of investment returns.

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In this case it is the Bank which bears the investment risk as the level of contributions required depends on the level of investment returns achieved.

An investment strategy for the Defined Benefit Plan which is framed to take a long-term view will often adopt relatively high levels of equity investment in order:

i. to secure attractive long-term investment returns, and

ii. to provide an opportunity for capital appreciation and dividend growth, which gives some protection against inflation (as pensions indexation is influenced by inflation and active benefits are linked to salary growth which is also influenced by inflation).

The main constraint is that potential fluctuations in asset values mean the total asset value could fall below the level of its Vested Benefits, placing the Defined Benefit Plan in an unsatisfactory financial position.

While the impact of a sudden sharp fall in asset values can be limited by maintaining a buffer of assets over and above the level of vested benefits, the level of the buffer may never be sufficiently high to safeguard against all possible investment outcomes. However, the buffer should be at a level where the risk of the asset values falling below the level of vested benefits under a particular investment strategy is acceptable to the Trustee and the Bank.

In this regard, a lower buffer may be acceptable where the Bank is willing and able to accept short-term variations in contributions as part of underwriting the defined benefits of the Defined Benefit Plan. In this case, short-term variations in Bank contributions may result from:

i. reducing a buffer that has grown too large, or

ii. rebuilding a buffer that has fallen or become negative.

An alternative for a plan which does not have a sufficient asset buffer above the level of Vested Benefits is to adopt a more conservative investment strategy. While this may reduce short-term fluctuations in asset values, it is also likely to reduce long-term returns and hence result in increased Bank contributions in the long term.

In summary, a balance needs to be achieved between these short-term and long-term considerations in funding the defined benefit liabilities.

Defined Benefits – Investment Objectives and Guidelines

The Trustee's principal investment objectives in relation to each of the asset pools in the Defined Benefit Plan are:

- in respect of the DB Actives Pool, to achieve returns that exceed the Consumer Price Index (CPI) by 2.5% p.a. over 7 year periods, and
- in respect of the DB Pensions Pool, to achieve returns that exceed the Consumer Price Index (CPI) by 2.0% p.a. over 7 year periods.

Investment Strategy for Defined Benefit Plan

In order to meet the investment objectives set for the Defined Benefit Plan, the Trustee has adopted a benchmark allocation to each asset class for the DB Actives Pool and the DB Pensions Pool. The table below shows the benchmark asset allocations for each Pool as at 30 June 2024.

Asset Class	DB Actives Pool	DB Pensions Pool
Australian Shares	25.5%	16.0%
Overseas Shares	28.0%	17.0%
Property	9.0%	7.0%
Infrastructure	4.5%	4.0%
Growth Alternatives	5.0%	7.0%
Total Growth Assets	**72.0%**	**51.0%**
Defensive Alternatives	0.0%	0.0%
Australian Fixed Interest	10.0%	19.0%
Overseas Fixed Interest	14.0%	25.0%
Cash and Liquid Assets	4.0%	5.0%
Total Income Assets	**28.0%**	**49.0%**
Total	**100.0%**	**100.0%**

Suitability of Investment Strategy of the Defined Benefit Plan

The defined benefit categories within the Defined Benefit Plan are all closed to new employee members and the age profile of the employee member categories will gradually increase. At 30 June 2024, the average age of employee members was 56.4 years. Just over half of the Defined Benefit Plan's liabilities are in respect of pensioners, whose average age at 30 June 2024 was 72.5 years.

At the investigation date, as will be seen later in this report, the Defined Benefit Plan held a buffer of Net Assets supporting the defined benefits over Vested Benefits and a buffer of Net Assets over the value of accrued benefits.

There is the potential for volatility of short-term investment returns and a consequential impact on the financial position of the Defined Benefit Plan as well as the Bank's contributions. We understand the Bank has been supportive of the investment strategy. However, given the increasing size of the DB Pensions Pool relative to the DB Actives Pool in recent years, and the expected continuation of this increase in future years (as shown in the table below), I recommend that the Trustee seeks the Bank's confirmation of its comfort with this potential volatility of short-term investment returns and the resulting impact on the Plan's financial position and the Bank's contribution requirements.

Proportion of Actuarial Value of Accrued Benefits	Active Members	Pensioners
30 June 2021	56%	44%
30 June 2024	44%	56%
30 June 2029 (projected)	26%	74%

On that basis, and with the continued monitoring of Vested Benefits and funding requirements on a quarterly basis, I consider the current investment strategy to be suitable.

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Section 4: Valuation Method, Plan Experience and Actuarial Assumptions

To carry out an actuarial valuation for defined benefit liabilities, it is necessary to decide on:

- the valuation method to be adopted, and
- the assumptions as to the factors which will affect the cost of the benefits to be provided by the Defined Benefit Plan in the future.

Valuation Method

The funding method adopted at the previous investigation was the Attained Age method. This funding method remains appropriate for the Defined Benefit Plan and we have retained it for this investigation.

The Attained Age funding method aims to spread the expected future cost of the Defined Benefit Plan's benefits over the average future working lifetime of the members to produce a level contribution as a percentage of the Defined Benefit Members' superannuation salaries, but also allows for any surplus or deficit that currently exists in the Defined Benefit Plan.

The calculation of the employer contribution by this method consists of two parts.

The **first part** is the "normal cost". The total normal cost is expressed as a level % of expected future salaries and is equal to the sum of:

- the cost based on actuarial assumptions of the benefits accruing to the members in respect of all future membership following the investigation date, plus
- the cost of insurance premiums, administration and taxation expenses.

Hence the normal cost represents the value of the benefits to accrue in respect of future membership, and does not take into account the benefits accrued in respect of past membership nor the Net Assets held at the investigation date.

The **second part** is the "adjustment cost" and is the Employer contribution required to amortise any excess or deficiency at the investigation date in Net Assets, after taking into account the Long Term Funding Level target in the Bank's Funding Policy. This adjustment cost may be positive or negative.

The amortisation can occur over a period decided by the Bank, subject to the provisions outlined in the Funding Policy.

The required Bank contribution is then the sum of the normal cost and the adjustment cost. However, the contribution rate required to maintain vested benefits coverage above 100% in three years' time based on the valuation assumptions has also been considered.

Funding Policy

The Bank adopted a Funding Policy dated 2 June 2020 prior to the transfer of the Former BT WGP into the MST. We have been advised that for the purposes of determining the recommended contribution rates, the details of the Funding Policy in place immediately prior to the transfer at 1 April 2023 shall remain in force. We understand that the Bank is in the process of reviewing the Funding Policy.

This Policy includes a Long Term Funding Level (LTFL) target of 104% of the Plan's total Actuarial Value of Accrued Benefits.

If the market value of the Plan's Net Assets falls below the Plan's vested benefit liabilities resulting in the Plan being in an unsatisfactory financial position, the Bank will contribute amounts sufficient to restore the Plan to a satisfactory financial position over a period no longer than two years from the date of calculation.

If the Plan's Net Assets falls below the Plan's LTFL target, but is not in an unsatisfactory financial position, the Bank may contribute amounts in addition to the normal cost sufficient to restore the Plan to the LTFL target over a period no longer than three years.

If the Plan's Net Assets exceeds the Plan's LTFL target, the Bank's contributions may be reduced and funded from the excess Net Assets over the LTFL target.

Plan Experience and Valuation Assumptions

It is important when setting the valuation assumptions to examine the experience since the previous valuation to see whether the previous assumptions have been borne out in practice. Financial assumptions will be reviewed every annual valuation. Demographic experience will be examined and used to inform demographic assumptions every three years as part of the triennial actuarial investigation.

Financial Assumptions

The main financial assumptions adopted at the previous investigation and this investigation are set out below.

	30 June 2023 (p.a.)	30 June 2024 (p.a.)
Discount Rate – Active members (net of tax)	6.70%	6.70%
Discount Rate – Pensioners (gross of tax)[1]	6.45%	6.75%
Salary Growth	3.75%	3.75%
Pension Inflation	2.75%[2]	2.75%
"Gap" – Active members	2.95%	2.95%
"Gap" – Pensioners	3.70%	4.00%

[1] Net of expense allowance.

[2] Assumed pension inflation of 6.0% in year 1.

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Investment Return (Discount Rate)

The assumption for investment returns at the last investigation at 30 June 2023 was 6.70% p.a. (net of investment management fees and tax, but gross of administration fees) for the DB Actives Pool and 6.45% p.a. (net of investment management fees and administration fees, but gross of tax) for the DB Pensions Pool.

The single year investment return to 30 June 2024 was 0.7% p.a. higher than the assumed rate in respect of the DB Actives Pool at the last valuation and roughly in line with the assumed rate in respect of the DB Pension Pool. The outperformance of the DB Active Pool assets will, in isolation, have had a positive effect on the Defined Benefit Plan's financial position over the past year.

Actual investment returns over the three years to 30 June 2024 are set out below:

Period	Investment Return	
	DB Actives Pool[1]	DB Pensioners Pool[2]
Year to 30 June 2022	-6.6%	-6.6%
Year to 30 June 2023	7.5%	6.1%
Year to 30 June 2024	7.4%	6.5%
3 years ending 30 June 2024	**2.6% p.a.**	**1.8% p.a.**

[1] Net of investment management fees and tax.

[2] Net of investment management fees, net of administration fees, gross of tax.

For this investigation, based on forward looking expectations, we have adopted the same discount rate of 6.70% p.a. (net of investment management fees and tax) in respect of the DB Actives Pool, and increased the discount rate to 6.75% p.a. (net of investment management fees and administration fees, and gross of tax) in respect of the DB Pensions Pool. These are our long-term expected returns for the respective asset pools, determined using our long-term expected returns for each asset class and the target asset allocation of the pools. Please note that, in line with the previous investigation, the investment return assumption adopted for the DB Pensions Pool at 30 June 2024 is net of 0.05% p.a. administration fees. We believe these assumptions are consistent with the Trustee's investment objectives and strategy.

Salary Growth

The assumed rate of salary growth was 3.75% p.a. in the last investigation at 30 June 2023. The average rate of actual salary growth over the year to 30 June 2024 was 3.4%. This lower than expected salary growth will, in isolation, have had a positive effect on the Defined Benefit Plan's financial position over the past year.

The average rate of actual salary growth over the three years to 30 June 2024 for defined benefit members who were present over the entire three year period was 3.6% p.a.

For this investigation, we have maintained the same salary growth assumption of 3.75% p.a.

Over the long term, it is the "gap" between the investment return (net of tax and investment management fees) and the salary growth assumption that is important when valuing employee members' liabilities. In this investigation the "gap" has remained at 2.95% p.a. This has had a neutral impact on the Defined Benefit Plan's financial position.

Pension increases

Pension increases are applied at 1 January each year, and are set equal to the lesser of 5% and the increase in the Consumer Price Index (CPI) over the year to the preceding 30 September. The Trustee has discretion subject to Bank approval, to grant adjustments up to the CPI increase in any year where this exceeds 5%.

The assumed rate of pension increases adopted for the last investigation at 30 June 2023 was 6.0% pension increase in year 1, and 2.75% p.a. thereafter. The actual pension increase rate over the year to 30 June 2024 was 5.0%. This lower than assumed pension increase will, in isolation, have had a positive effect on the Defined Benefit Plan's financial position over the past year.

The actual rates of pension increases over the three years to 30 June 2024 are set out below:

Indexation date	Pension Increase
1 January 2022	3.0%
1 January 2023	7.3%
1 January 2024	5.0%
Average over the three years	**5.1% p.a.**

For this investigation we have maintained the long-term pension increase assumption of 2.75% p.a.

Over the long term, it is the "gap" between the investment return (gross of tax and net of investment management fees, and net of administration fees) and pension increase assumption which is important when valuing the pension liabilities. For this investigation, the "gap" has increased from 3.7% p.a. used in the previous investigation to 4.0% p.a. This has had a positive impact on the Defined Benefit Plan's financial position.

Demographic Assumptions

Demographic assumptions, plus expense and insurance assumptions, will ordinarily be reviewed every three years. We have analysed experience for these assumptions as part of this triennial investigation at 30 June 2024, over the two years and six months to 31 December 2023 compared to the assumptions adopted for the previous actuarial investigation. The main findings of our analysis are set out below. Details of the assumptions are included in Appendix D.

Rates at which Members Leave Service and Retire

In our report dated 18 November 2024, we reported on the results of our analysis of the rates at which members resign and retire from the Defined Benefit Plan and compared the Plan's actual experience to that expected based on the previous valuation assumptions. A summary of the comparison is set out in the table below:

	Actual	Expected
Number of Retirements	361	683
Number of Resignations	82	64

For this valuation we have made some reductions to the assumed rates of retirement in light of the Plan's recent experience. We have retained the assumed rates of resignation as these are less material in absolute terms.

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Rates at which Members Leave due to Death or Total and Permanent Disablement (TPD)

The assumed rates at which members leave due to death or TPD adopted at the last triennial actuarial investigation (30 June 2021) of the Former BT WGP reflected the premiums rates used by the Former BT WGP's insurer for death and TPD benefits. For this valuation we have retained the same approach. We have based the assumed rates for this investigation on the Plan insurer's new premium rates effective from 1 July 2024.

Pensioner Mortality

The assumed rates of pensioner mortality adopted at the previous investigation at 30 June 2023 were as follows:

- Males: 75% of that embodied in Australian Life Tables for Males 2015-17, with 2% p.a. mortality improvement factors applying from 1 July 2016.
- Female: 75% of that embodied in Australian Life Tables for Females 2015-17, with 2% p.a. mortality improvement factors applying from 1 July 2016.

In our report dated 18 November 2024, we reported on the results of our analysis of pensioner mortality and compared the Plan's actual recent experience to that expected based on the previous valuation assumptions. A summary of the comparison is set out in the table below:

	Actual	Expected
Number of deaths (Males)	34	46
Number of deaths (Females)	67	64

For this valuation we have retained the same assumption. We recommend that this assumption be reviewed again next year, once the Australian Life Tables 2020-22 are released.

Pension take-up rate

Members of the Former Westpac Staff Superannuation Plan have the ability to elect to take up to 50% of their defined benefit ("the eligible benefit") as a pension when ceasing service with the Bank at or after age 55. The assumed take-up rate adopted at the last investigation was that 75% of eligible benefits will be taken as a pension. That is, 75% of the eligible 50% of defined benefits will be taken as a pension. Over the 2.5 years to 31 December 2023, around 76% of all eligible benefits were taken in the form of a pension, on a money weighted basis. Over the prior three years to 30 June 2021, again around 76% of all eligible benefits were taken in the form of a pension. Considering this experience, we believe it is reasonable to retain the take-up assumption of 75%.

Marital status

We do not have sufficient data to analyse the actual marital status of the Defined Benefit Plan's members. We have compared the assumed marital status assumptions used in the previous investigation to the marital status statistics from the 2021 Australian Census. The 2021 Census rates are only slightly lower than the assumptions adopted in the previous investigation. We have therefore retained the assumption from the previous investigation.

Expenses

The Defined Benefit Plan incurs administration fees of 0.05% of Defined Benefit assets plus the cost of other service provider fees. These have been allowed for as follows:

- In respect of the administration expenses associated with active employee members, we have adopted an allowance for this investigation of 0.5% of Defined Benefit Members' superannuation salaries. This is added on to the cost of funding future benefit accrual when determining the Normal Cost, set out in Section 8. This is a slight increase from 0.4% of Defined Benefit Members' superannuation salaries adopted at the last investigation.
- For pensioner members, the discount rate used to value the pension liability has been reduced by 0.05% p.a. which capitalises the future value of expected administration costs in respect of pensioner members into the pensioner liability. As such, administration expenses associated with pensioners are charged against the DB Pension Pool and are effectively fully funded at the time the pension commences. This is in line with the approach adopted at the last investigation.

Death and Total and Permanent Disablement (TPD) Insurance

In the last investigation, we made an allowance for death and TPD insurance premiums of 0.50% of superannuation salaries, solely used to determine the assumed tax deductible component of the insurance premium cost.

In respect of the Defined Benefit Members, we have used an assumption for this investigation of 0.42% of Defined Benefit Members' superannuation salaries, based on the current insurance premium rates for Defined Benefit Members, charged by the Plan's insurer. Members' full death and TPD benefits have been valued. This allowance of 0.42% has been used solely to determine the assumed tax deductible component of the insurance premium cost.

In respect of Accumulation Members, we have been advised that the Bank contributes a monthly amount, determined by Mercer, to fund the death, total and permanent disablement, and total and temporary disablement premiums. It is our understanding that any difference between the amounts contributed and actual premiums is reconciled and adjusted monthly.

Total and Temporary Disablement (TTD) Insurance

In the last investigation, we made an allowance for the cost of TTD benefits for Defined Benefit members of 0.70% of superannuation salaries.

For this investigation, in respect of Defined Benefit Members, and based on the information provided, we have retained this assumption of 0.70% of superannuation salaries. This is based on the current insurance premium rates for Defined Benefit Members, as charged by the Plan's insurer. This is added on to the cost of funding future benefit accrual when determining the Normal Cost, set out in Section 8.

In respect of Accumulation Members, we have been advised that the Bank contributes a monthly amount, determined by Mercer, to fund the death, total and permanent disablement, and total and temporary disablement premiums. It is our understanding that any difference between the amounts contributed and actual premiums is reconciled and adjusted monthly.

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Effect of changes in assumptions

The impact of the change in assumptions can be illustrated by comparing the Vested Benefit Index (VBI) discussed in Section 7 and the "normal cost component" of the contribution rate discussed in Section 8 determined using the same assumptions as the previous investigation with those produced by the assumptions used for this investigation:

Assumption set	Vested Benefit Index	Normal Cost
Current assumptions	113.2%	16.9%
Previous assumptions (effective 30 June 2023)	110.4%	17.4%

The change in assumptions, as a whole, results in:

- An increase in the Vested Benefit Index. This is due to the increase in the gap in respect of pension liabilities (difference between the discount rate applicable to pension liabilities and the assumed pension increase assumption), and the resulting decrease in the value of the pension liabilities.
- An decrease in the normal cost. Again, this is primarily due to the increase in the gap in respect of pension liabilities, and reflects a reduction in funding requirements to fund emerging pension liabilities in respect of active members.

Summary of Valuation Assumptions

A summary of our valuation assumptions is set out in Appendix D to this report.

Section 5: Insurance Arrangements

Current arrangements

Total and Temporary Disablement ("TTD") benefits

We understand that any Total and Temporary Disablement benefits are fully insured. This is considered adequate and no changes are recommended.

Death and TPD benefits

The majority of the Plan's defined benefit members (those originally from the Westpac Staff Superannuation Plan, with benefits described in part A of Appendix A) may elect to convert a portion of their lump sum Death and Total and Permanent Disablement (TPD) benefits to a pension.

The extent to which the value of the future service component of the Death and TPD benefits (after allowing for the value of the pension benefit at the assumed pension take-up rate) exceeds the 100% Lump Sum value of the future service component of the Death and TPD benefit, is self-insured.

Exposure – lump sum component of Death and TPD benefits

The current level of insurance in respect of Defined Benefit Members' lump sum Death and TPD benefits is calculated as follows.

Lump Sum Death/TPD Benefit – Lump Sum Vested Benefit

The following table shows the adequacy of the Defined Benefit Plan's insurance cover:

	$ million
Lump Sum Death and TPD Benefits	828.3
Less Aggregate Group Life Insurance	127.1
Exposure	701.2
Net Assets (excluding Assets in respect of Pensioners)	1,052.3

The Net Assets at 30 June 2024 are more than sufficient to meet the Defined Benefit Plan's exposure of $701.2 million. The current insurance arrangements in respect of lump sum Death and TPD benefits are considered adequate and no changes are recommended.

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Self-insurance – additional value of pension option on future service component of Death and TPD benefits

As set out above, some defined benefit members may elect to convert a portion of their lump sum Death and TPD benefits to a pension. The additional value of the future service component after allowing for the value of the pension option, in excess of the lump sum benefit, is considered to be self-insurance.

It is important to note the Death and TPD benefit formulae only include future service to age 60. Therefore the self-insured benefits are expected to reduce over time.

SIS Regulation 4.07E states that defined benefit funds can provide benefits for defined benefit members through self-insurance only if the fund self-insured such benefits on 1 July 2013 (and so long as APRA did not prohibit Self-Insurance for that DB Fund as a condition of its licence). It is our understanding that these same benefits were provided on 1 July 2013, and we are not aware that APRA did not prohibit self-insurance for the WGP as a condition of its licence.

Paragraph 36 of SPS 160 states that a fund trustee that is permitted to self-insure benefits must:

(a) Maintain reserves or have arrangements approved by APRA in place to fund current and future self-insurance liabilities,

(b) Attest annually that, in formulating and maintaining its policy in relation to self-insurance, the fund continues to act in the best interests of members, and

(c) Develop a contingency plan for an orderly transfer of insurance assets and obligations should a self-insurance arrangement no longer be appropriate.

Self-insurance reserve

The self-insurance reserve should reflect the likelihood and expected impact on the Plan of random fluctuations in the occurrence of death and TPD claims, a catastrophic event, and incurred but not reported (IBNR) death and TPD claims. We consider each of these below.

Random fluctuations in claims

To the extent that the number of death and TPD claims within the Plan is higher than the assumed level then a potential financial “strain” can occur.

The expected base claims per year at the triennial actuarial review as at 30 June 2021 was 9.6 death and disablement claims per year (i.e. 24 over a 2.5 year period). Over the 2.5 year period to 31 December 2023, there were 3 death claims and 8 disablement claims. Therefore, fewer death and disablement claims occurred than expected over the period.

The table below considers the likelihood and impact of the Plan experiencing claims 50% and 100% higher than the expected number in a single year. The figures in the table below are in respect of relevant defined benefit members under age 60 at 1 July 2024.

	Base expected claims	Claims 50% higher than expected	Claims 100% higher than expected
Number of claims in a year	6	8	11
Expected Plan impact in a year:			
Dollar amount	$0.21 million	$0.31 million	$0.41 million
% of Net Assets	0.010%	0.015%	0.020%

The expected Plan impact of the base expected claims is implicitly allowed for in the funding recommendation. Hence, when considering an appropriate self-insurance reserve, attention needs to be given to the likelihood and impact of claims greater than expected.

On balance, we recommend allowing for a self-insurance reserve for claims at a level 100% higher than expected, being an amount of $205,000.

Catastrophic event

The table below shows the total headcount, self-insured death liability and self-insured TPD liability in respect of relevant members under age 60 (as only future service to age 60 is considered in the death and TPD benefit formulae).

Relevant defined benefit members under age 60*	As at 30 June 2024
Headcount	863
Self-insured Death benefit	$41.0 million
Self-insured TPD benefit	$44.7 million

* Originally from the former Westpac Staff Superannuation Plan.

We consider a catastrophic event to be 1 in 200 year event impacting 10% of all members. Allowing for this probability, we believe a reasonable allowance within the reserve would be $20,000.

Incurred but not reported (IBNR) claims

Incurred but not reported claims represent member deaths and/or TPD that have occurred and have not yet been reported to the Plan, but for which a benefit is likely to be payable. We expect such claims for this Plan to be low based on the relatively low number of actual claims observed historically.

We believe a reasonable allowance for IBNR claims is 15% of expected claims and therefore a reasonable allowance within the reserve would be $30,000 (i.e. 15% x $0.21 million).

Recommendation

I recommend that the self-insurance reserve be reduced to $255,000, being the sum of the components above.

As previously agreed, I recommend that the level of the reserve be reviewed again as part of the Plan's next triennial actuarial investigation at 30 June 2027.

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Beneficiaries' best interest attestation

Given the size of the self-insurance exposure and the various factors set out above, we see no reason as to why the Trustee would not be able to attest that, in formulating and maintaining its policy for self-insurance, the Trustee continues to act in the best interests of the Plan beneficiaries.

Section 6: Considerations in respect of Defined Benefit Pensions

In accordance with 23(h) of SPS160, and Professional Standard 410, Dated October 2024, issued by the Institute of Actuaries of Australia, the Actuary is required to make an opinion on the probability of the Plan being able to meet the pension payments in respect of members currently in receipt of pensions.

The considerations I have taken into account in forming a view include:

- The liabilities for pensions in payment rank ahead of the liabilities for accruing members on wind-up of the Plan, as specified in Clause 1.11 ("Termination of the Employer Sub-Plan") of the Participation Schedule.
- The Plan has sufficient liquidity to make pension payments from regular cashflows or the ready sale of the Plan's assets from time to time.
- The suitability of assets for matching the expected income streams.
- The investment strategy for the DB Pensions Pool.
- The actuarial assumptions, and hence the resultant liability values, include allowance for future improvements in pensioner mortality.
- Upon the death of a lifetime pensioner (where no reversionary spouse pension is payable), the liability ceases. Any surplus created at that time improves the Plan's financial position.
- The Bank's plan to address any unsatisfactory financial position, as outlined in its Funding Policy.

Having considered these matters, I believe there is a high probability that the Plan will be able to pay the pensions as required under the Plan's governing rules.

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Section 7: Solvency and Funding Status Measures

There are several methods used to assess the current financial situation (i.e. funding status measures) of the Defined Benefit Plan. These measures are dealt with below.

Vested Benefits

Pursuant to superannuation law and SPS 160, a fund (or a section of a fund) is in a *"satisfactory"* financial position if the assets of the fund cover the vested benefit entitlements of the members of the fund.

The Vested Benefits represent the benefit entitlements of Members should they voluntarily leave the Defined Benefit Plan and the value of the pension benefits for members who have already left service. Where the member is entitled to a defined benefit pension or a deferred benefit or to exercise an option, then the value of that benefit or option has been determined using the assumptions adopted for this investigation. The Vested Benefits Index is the ratio of the Defined Benefit Plan's Net Assets to its Vested Benefits and hence is a measure of the Defined Benefit Plan's financial strength.

The Vested Benefits at 30 June 2024 are set out in the table below in respect of the Defined Benefit Plan:

Benefit Category	$ million
Westpac active members	791.4
Ex-St George active members	6.5
Notified exits	12.6
Pensioners	1,072.8
Defined benefit offset accounts*	(6.6)
Total Vested Benefits	**1,876.7**
Net Assets	**2,125.1**
Excess of Net Assets over Vested Benefits	**248.4**

* Surcharge, Early Release offset.

The following table shows the progression of the Vested Benefits Index over the review period:

	30 June 2023 Defined Benefits Only* $ million	30 June 2024 Defined Benefits Only* $ million
Net Assets	$2,105.7	$2,125.1
Vested Benefits	$1,923.3	$1,876.7
Vested Benefits Index	109.5%	113.2%

* The "Defined Benefits Only" figures illustrate the financial position of the Defined Benefit Plan in respect of the Defined Benefit liabilities, excluding SuperSave Accounts and other member investment choice accounts for Defined Benefit Members.

As at 30 June 2024, the Net Assets of the Defined Benefit Plan exceeded its Vested Benefits and the Defined Benefit Plan was in a satisfactory financial position. The ratio of the Defined Benefit Plan's Net Assets supporting defined benefits to its vested defined benefits was 113.2%. At the previous investigation, this ratio was 109.5%. The ratio has increased due to a number of factors, but is primarily due to the change in financial assumptions in respect of pension liabilities.

Actuarial Value of Accrued Benefits

An indication of the funding status of the Defined Benefit Plan is given by the ratio of the Defined Benefit Plan's Net Assets to its Actuarial Value of Accrued Benefits (AVAB). This is called the Actuarial Value of Accrued Benefits Index (AVABI).

AVAB represents the value in today's dollars of expected future benefit payments based on membership completed to the review date, allowing for future salary increases, investment earnings and expected incidence of payment. *"Accrued Benefits"* has the meaning given in Regulation 9.27 of the SIS Regulations.

It is important that the Actuarial Value of Accrued Benefits Ratio is not used to compare the level of funding between superannuation funds but is used as a measure to assess the funding status of a superannuation fund from time to time. Different superannuation funds can be expected to have different Actuarial Value of Accrued Benefits Ratios depending on the age and employment history of the members.

A fully secured position is represented by a ratio of 100.0%. At this level, if the Defined Benefit Plan were closed to new entrants and no further benefits were allowed to accrue to current members, assets would be sufficient to meet all future benefit payments if the actuarial assumptions are borne out in practice.

The following table sets out the composition of the AVAB at 30 June 2024 in respect of the Defined Benefit Plan:

Accrued Benefit Liabilities	**30 June 2024 $ million**
Active members (Westpac and Ex-St George)	843.7
Notified exits	12.6
Pensioners	1,072.8
Defined benefit offset accounts*	(6.6)
Total AVAB	**1,922.5**
Net Assets	**2,125.1**
Excess of Net Assets over AVAB	**202.6**

* Surcharge, Early Release offset.

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The following table shows the progression of the Actuarial Value of Accrued Benefits Index over the review period:

	30 June 2023 Defined Benefits Only* $ million	30 June 2024 Defined Benefits Only* $ million
Net Assets	$2,105.7	$2,125.1
Actuarial Value of Accrued Benefits	$1,978.8	$1,922.5
Actuarial Value of Accrued Benefits Index	106.4%	110.5%

* The "Defined Benefits Only" figures illustrate the financial position of the Plan in respect of the Defined Benefit liabilities, excluding SuperSave Accounts and other member investment choice accounts for Defined Benefit Members.

As at 30 June 2024, the Net Assets of the Defined Benefit Plan are adequate to cover the Actuarial Value of Accrued Benefits.

Minimum Benefits

The Bank's Superannuation Guarantee (SG) obligation is either fully or partly met for all employee members by the minimum benefits provided under the Plan. The required Benefit Certificate is dated 14 August 2023, which defines the Minimum Requisite Benefits of each employee member.

A Funding and Solvency Certificate dated 14 August 2023 has been issued to the Trustee corresponding to the above-mentioned Benefit Certificate. The purpose of this certificate is to specify the required Bank contributions needed to fund the minimum benefits used to offset the SG charge.

The Plan is *"solvent"* if the net realisable value of the Net Assets of the Plan less the value of the benefit entitlements of former members of the Plan exceeds the Minimum Requisite Benefits (MRB) of all employee members.

The following table shows the progression of the Minimum Benefits Index over the review period in respect of all defined benefit members (including benefits and assets in respect of pensioners and notified exits).

	30 June 2023 Defined Benefits Only* $ million	30 June 2024 Defined Benefits Only* $ million
Net Assets	$2,105.7	$2,125.1
Minimum Benefits	$1,770.4	$1,748.2
Minimum Benefits Index	118.9%	121.6%

* The "Defined Benefits Only" figures illustrate the financial position of the Defined Benefit Plan in respect of the Defined Benefit liabilities, excluding SuperSave Accounts and other member investment choice accounts for Defined Benefit Members.

As at 30 June 2024, the Net Assets of the Defined Benefit Plan are greater than the Minimum Benefits, and the Plan is in a solvent position.

Shortfall Limit

As required under SPS 160 we have recommended that the Trustee set the Shortfall Limit for the Plan at 98% of vested defined benefit liabilities. The Shortfall Limit is defined in paragraph 10 of SPS 160 as:

> *"…the extent to which an RSE licensee considers that a fund can be in an unsatisfactory financial position with the RSE licensee still being able to reasonably expect that, because of corrections to temporary negative market fluctuations in the value of fund assets, the fund can be restored to a satisfactory financial position within one year…"*

Should the financial position of the Plan breach the Shortfall Limit, additional interim actuarial investigations will be required with rectification plans to be put in place to address the unsatisfactory financial position.

We consider the Shortfall Limit is appropriate given the nature of the defined benefit assets and liabilities.

Benefits Payable on Termination of the Plan

On termination of the Plan, Clause 1.11 of the Participation Schedule states that assets should be:

1. applied to meet all expenses incurred in the dissolution of the Plan, and
2. applied to meet benefit entitlements (including pensions) that arose before the date of termination, and
3. distributed in respect of other members in such a way as the Trustee considers equitable, upon the advice of the Actuary and with the approval of the Participating Employer, taking account of the provisions of the Participation Schedule and any other relevant circumstances.

The termination provisions do not specify a minimum benefit to be paid but apply assets in an order of priority. Hence, assets are to be distributed to the extent possible to meet former and current members' entitlements.

This does not mean that assets will be sufficient to meet all members' entitlements. Depending on how pensioners' entitlements are met, given they have a higher priority than employee members' entitlements, and the size of expenses incurred in winding up the Plan, there may be insufficient assets to meet 100% of the benefit entitlements of remaining Plan members (accumulation or defined benefit) on termination of the Plan.

Various factors that may impact on Funding and Solvency measures

In the following paragraphs, we comment on a number of factors that may influence the measures in this Section. These factors are not exhaustive and are not meant to cover all possible factors that may influence these measures.

- The Net Assets do not include any assets, to our knowledge, that materially depend on the employer that have not been paid, nor any materially illiquid assets.

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- Market valuation of pension liabilities – the value of pension liabilities has been based on a number of assumptions including the discount rate (which is set equal to the expected investment return for the assets supporting pension liabilities), expected future pension indexation and future mortality rates and improvements. While we have not conducted an in depth exercise to find the exact relative market value of pension liabilities in respect of current pensioners, we have estimated the market value to be around 20% (based on publicly available pricing) higher than the liability under the Plan's valuation basis. Valuing current pensioners at these market rates would reduce the Vested Benefits index to approximately 102% and reduce the Actuarial Value of Accrued Benefits Index to around 99%.
- Benefits are, by and large, fully vested and the same benefit is paid on retrenchment as it is on resignation.
- We have made allowance for the option that may be exercised by retiring members to take a pension in valuing both the vested benefits and the actuarial value of accrued benefits. If more retiring members than expected take up the pension option, the indices will reduce. If a pension take-up rate of 100% (rather than 75%) were to be assumed, the VBI would reduce to 111.2% and the AVABI would reduce to 107.6%.

We discuss certain sensitivities and materiality further in Section 9.

Experience since the Investigation Date

The levels of the funding measures have increased slightly as a result of higher than expected returns on the Plan's defined benefit assets over the period from 1 July 2024 to 30 September 2024. We estimate that the Plan remains in a satisfactory financial position and the returns since 1 July 2024 are not material enough to change the recommended contribution arrangements.

Section 8: Contribution Results

It should be emphasised that the funding measures shown in Section 7 relate to the current position at the review date. A projection of the Defined Benefit Plan is required to assess the adequacy of Bank contribution rates to provide defined benefits in the future.

Such a projection has been carried out using the funding method and assumptions discussed in Section 4 and set out in Appendix D. The results of the investigation are summarised in this Section.

Normal Long Term Contribution Rate (“Normal Cost”)

As described in Section 7, the total value of accrued defined benefits of $1,922.5 million represents the present value of all expected future benefit payments in respect of defined benefit membership accrued up to the investigation date. We have similarly calculated the present value of all expected future defined benefits in respect of expected membership after the investigation date (“future service defined benefits”).

The amount of long-term Bank contributions needed is calculated as the present value of Future Service Defined Benefits less the present value of expected future member contributions.

		$ million
Future Service Defined Benefit Liabilities		95.7
Less	Value of future member contributions	21.0
Defined Benefit Liability to be funded from future Bank contributions		74.7
Value of 1% future Bank contributions		5.6
Future Bank contribution rate required		13.4%
Plus	Allowance for 15% contributions tax	2.3%
Plus	Allowance for insurance costs*	0.7%
Plus	Allowance for Plan expenses**	0.5%
Total Gross Normal Contribution Rate required		**16.9%**

* This is the assumed cost of TTD insurance. The expected cost of cover for Death and TPD benefits has been included in the value of Future Service Defined Benefits above.

** This is only an allowance for administration expenses in relation to active members, as the future administration expenses for pensioners is capitalised in the liability.

Hence, the long-term contribution rate required to fund future benefits for Defined Benefit Members is 16.9% of their superannuation salaries.

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Change in normal cost rate since previous investigation

The attribution of the change in the normal cost rates in respect of the Defined Benefit Plan from the last investigation effective 30 June 2023 is set out below:

Attribution component	
Normal cost at last investigation (30 June 2023)	17.2%
Increase in normal cost due to assumption changes (cost of expenses and TTD insurance)	0.1%
Increase in normal cost due to assumption changes (financial)	-0.4%
Increase in normal cost due to assumption changes (demographic)	-0.2%
Increase in normal cost due to membership and SG changes	0.2%
Normal cost as at this investigation	**16.9%**

Adjustment cost and Funding Policy's Long Term Funding Level

The surplus/deficit of Net Assets relative to the Actuarial Value of Accrued Benefits and the Long Term Funding Level for the Defined Benefit Plan at 30 June 2024 is shown below:

	$ million
Actuarial Value of Accrued Benefit	$1,922.5
Long Term Funding Level (LTFL) (104% of AVAB)	$1,999.4
Net Assets	$2,125.1
Surplus (Deficit) Net Assets over LTFL	**$125.7**

At 30 June 2024 there was a surplus in the Plan's Defined Benefit Net Assets relative to the Bank's Long Term Funding Level Target (104% of AVAB) of $125.7 million.

As explained in Section 4, an adjustment cost is combined with the normal cost to amortise any surplus or deficit in respect of the Actuarial Value of Accrued Benefits, as well as having regard to the Long Term Funding Level (LTFL). Also, as set out in Section 4, the Bank's Funding Policy states that in a situation where the Plan's Net Assets exceeds the Plan's LTFL target, the Bank's contributions may be reduced and funded from the excess Net Assets over the LTFL target. However, given the recommendation in Section 3 that the Trustee seeks the Bank's confirmation of its comfort with the Plan's investment strategy, and the potential for the funding position to deteriorate if a de-risking strategy is implemented as a result, I recommend no adjustment to the normal cost rate at this time.

Recommendations

An actuarial investigation is essentially a budgetary exercise, as there are various ways in which the funding of future defined benefit liabilities can take place. Over the life of the Defined Benefit Plan, inputs to the Defined Benefit Plan (basically contributions and investment income) must match its outputs (basically defined benefit payments and costs). Because, in relation to defined benefit liabilities, it is not possible to predict the extent of future investment income or benefits, Bank contributions will be required at varying rates throughout the life of the Defined Benefit Plan. The rate at which the Defined Benefit Plan's assets are built up to meet its future liabilities can be quickened or slowed, depending upon the Bank's and Trustee's attitude to the level of assets required at any point in time to meet its accrued liabilities.

The Bank has a Funding Policy which outlines the Bank's intentions in relation to a minimum funding level and Long Term Funding Level target. This Policy influences the pace at which the Bank makes contributions to the Plan.

In the absence of any special circumstances, we recommend that the Bank maintain the current contribution arrangements and pay contributions in respect of Defined Benefit Members of no less than:

- 19.5% of active defined benefit members' superannuation salaries from 30 June 2024 to 31 March 2025, plus
- 16.9% of active defined benefit members' superannuation salaries from 31 March 2025, plus
- the cost of members' nominated and voluntary salary sacrifice contributions, plus
- the cost of any additional contributions of the Bank in respect of service recognition contributions and pre-elected bonus contributions and any extra contributions required to satisfy the SG requirement in respect of a member.

In relation to the Accumulation Plan, in respect of Accumulation Members:

- we understand the Bank contributes at the rates specified in the SG legislation, or such other rates as applicable to the terms of the benefit design applicable to the relevant Accumulation Member, and
- we have been advised that the Bank contributes a monthly amount, determined by Mercer, to fund the death, total and permanent disablement, and total and temporary disablement premiums in respect of Accumulation Members, and that any difference between the amounts contributed and actual premiums is reconciled and adjusted monthly.

Projection of Results

For the Defined Benefit Plan, we have tested the impact of retaining the recommended Bank contribution arrangements by projecting the cash flows of the Defined Benefit Plan and the build-up of the Defined Benefit Plan's Net Assets over the next three years, and comparing the Defined Benefit Plan's Net Assets to the projected levels of the Vested Benefits and value of Accrued Benefits.

Projection Date	DB Plan Net Assets $ million	DB Vested Benefits $ million	VBI %	DB Accrued Benefits $ million	ABR %
30 June 2024	2,125	1,877	113.2%	1,923	110.5%
30 June 2025	2,113	1,860	113.6%	1,894	111.6%
30 June 2026	2,112	1,851	114.1%	1,877	112.5%
30 June 2027	2,107	1,837	114.7%	1,854	113.6%

The projection shows an increase in the Defined Benefit Plan Vested Benefits Index (VBI) to 114.7% at 30 June 2027.

If the contribution rates shown in this Section are paid then I expect the Defined Benefit Plan Vested Benefits Index to remain in a satisfactory position assuming the valuation assumptions are borne out in practice.

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It should be noted, however, that these projections are based on the assumptions used in this investigation, which by their nature are long-term assumptions. Hence it is likely there will be departures, possibly material departures, from the results shown in this table as actual experience differs from the assumptions.

Future Review

The financial status of the Defined Benefit Plan is sensitive to actual financial experience (principally, investment returns and pension inflation) and membership movements. We recommend that the financial position of the Defined Benefit Plan be monitored quarterly.

As the Plan pays defined benefit lifetime pensions the Trustee is required to undertake an annual actuarial investigation of the Plan. The next annual investigation is therefore required effective 30 June 2025.

Section 9: Sensitivity Analysis and Material Risks

Sensitivity Analysis

For the purpose of this investigation the “gap” between the assumed investment return for the DB Actives Pool (net of tax and investment management fees) and salary inflation assumption is 2.95% p.a. The “gap” between the assumed investment return for the DB Pensions Pool (gross of tax, net of investment management fees and net of administration fees) and pension increase assumption is 4.00% p.a. Other economic assumptions could be used and the table below shows the impact of varying the “gap” between these assumptions on the Plan’s financial position, long-term contribution rate, and assets relative to the Long Term Funding Level target.

Item	This Valuation Basis	Scenario 1	Scenario 2
“Gap” between investment return (net of tax) and salary inflation assumptions (% p.a.)	2.95%	3.95%	1.95%
“Gap” between investment return (gross of tax) and pension increase assumptions (% p.a.)	4.00%	5.00%	3.00%
Vested Benefits Index	113.2%	122.3%	103.8%
Actuarial Value of Accrued Benefits Index	110.5%	120.4%	100.4%
Normal Cost	16.9%	15.6%	18.7%
Surplus / (Deficit) Net Assets over LTFL ($m)	125.7	289.2	(76.9)
Surplus / (Deficit) Net Assets over LTFL ($m) (gross of contributions tax)	147.9	340.2	(90.4)

These results indicate that the Actuarial Value of Accrued Benefits, as well as the Long Term Funding Level target, in respect of Defined Benefit Members are quite sensitive to future investment returns and future pension increases. This is due to a combination of factors, including:

- The material size of the pension liabilities, which accounts for around 56% of the value of accrued defined benefit liabilities as at 30 June 2024.
- The vast majority of the value of total defined benefit liabilities have already accrued. The accrued liabilities of employee members represent 90% of the total defined benefit liabilities of members who are still employees as at 30 June 2024. Further, the combined accrued liabilities of employee members and pensioners represent 95% of the total defined benefit liabilities of all defined benefit members as at 30 June 2024.

Consequently, any change in the value of accrued liabilities relative to expectations (for example if the Plan were to adopt a more defensive investment strategy with a reduced expectation for future investment returns) means that the resultant impact on the LTFL target, and the Bank contributions required to achieve this target, can be quite material, and potentially significantly greater than Bank contributions required to fund only future accrual.

It should be noted that the variations selected in the sensitivity analysis above do not indicate upper or lower bounds of all possible outcomes. Further analysis can be carried out if required.

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Material Risks

Investment returns

For this investigation I have adopted an investment return assumption (net of tax and investment management fees) of 6.70% p.a. in respect of employee members, and 6.75% p.a. (gross of tax and net of investment management fees, and net of administration fees) in respect of pensioners. However, if actual investment returns are less than these, with all other actuarial assumptions borne out as expected, then the funding position (Vested Benefits Index) will worsen and increased Bank contributions may be required.

For example, the following table gives an indication of the sensitivity of the Defined Benefit Plan's funding position (Vested Benefits Index) to investment returns different to that expected in the year to 30 June 2025 (first year of the projection) based on one year's modelled range of potential outcomes.

	DB Actives Pool Return	DB Pensions Pool Return	30 June 2025 VBI
10% better than expected return	16.7%	16.8%	121.2%
5% better than expected return	11.7%	11.8%	117.5%
Expected return	6.7%	6.8%	113.6%
5% worse than expected return	1.7%	1.8%	109.6%
10% worse than expected return	-3.3%	-3.3%	105.5%

The variations selected in the projections for the year to 30 June 2025 do not indicate upper or lower bounds of all possible outcomes. Further analysis can be carried out if required.

Salary and pension growth

For this investigation I have adopted a salary growth assumption of 3.75% p.a. and a pension increase assumption of 2.75% p.a. However, if actual salary or pension increases are greater than these rates, with all other actuarial assumptions borne out as expected, then the funding position (e.g. the Vested Benefits Index and Actuarial Value of Accrued Benefit Index) will be worse than expected and increased Bank contributions may be required.

Pensioner mortality

Pensioner mortality rates have been retained from the previous investigation at 30 June 2023. We have made allowance for both socio economic factors and improvements in pensioner mortality in the decrement basis used to value pension benefits. If pensioners experience improvements in mortality at greater rates than assumed, or experience lighter mortality than anticipated in the socio economic factors, then the cost of the pensions will increase, and the financial position of the Defined Benefit Plan will be worse than anticipated. The reverse is also true, i.e. if mortality improvement proves to be less than our allowance, or socio economic factors not as light, the cost of the pensions will be less than expected.

Pension take-up rate

In determining the actuarial value of accrued benefits, we have made allowance for 75% of retiring members to take up the option to convert 50% of their lump sum benefit to a pension on the basis permitted under the Participation Schedule. If more members take up this pension option, the value of the liabilities will increase, and increased Bank contributions may be required.

Change to investment strategy

Any change to the investment strategy that impacts on the future expected return on the assets supporting Defined Benefit Members' entitlements can potentially have a material impact on the financial position of the Defined Benefit Plan (as illustrated by the Sensitivity Analysis). Adopting a lower exposure to growth assets is likely to lead to an increase in the value of accrued liabilities and normal cost. Adopting a higher exposure to growth assets is likely to lead to a reduction in the value of accrued liabilities and normal cost. Further analysis can be carried out if required.

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Appendix A: Summary of Benefits

Defined Benefit Plan

A. Former Westpac Staff Superannuation Plan

Eligibility

The Defined Benefit Plan is closed to new members.

Member contributions

Members are not required to contribute to the Plan, but can nominate to contribute at an integer rate of between 1% and 8% of superannuation salary. The nominated contribution rate determines the level at which their benefits accrue. The nominated contribution rate may be altered at any time.

Members may also contribute additional amounts to supplement their benefits. A member's additional contributions are credited to an account called the SuperSave Account.

If a member's average rate of nominated contributions exceeds 5% when service terminates, the excess, with credited interest, is transferred to the member's SuperSave account.

Bank contributions

The Bank contributes the balance of the cost of the benefits provided by the Plan.

Accounts

The following accounts are maintained, as required, for each Defined Benefit Member of the Plan:

- A **Post 92 Member Account** into which the nominated member contributions made to the Plan since 1 July 1992, less an allowance for tax (if applicable), is credited. This account is capped on termination of service to an amount equal to the accumulated value of contributions at the rate of 5% of superannuation salary since 1 July 1992.
- A **Pre 92 Member Account** equal to the nominated member contributions made to the Plan prior to 1 July 1992, less an allowance for tax (if applicable).
- An **SGC Account** into which SG Contributions (at the rate of the prevailing SG Rate applied to Ordinary Time Earnings Base (OTE Base) capped at the Superannuation Guarantee (SG) Maximum Contributions Base), less an allowance for tax and insurance premiums, is credited.
- A **SuperSave Account** into which any additional member contributions, rollovers, one-off credits or the **excess account** i.e. nominated member contributions in excess of the accumulated value of 5% of superannuation salary since 1 July 1992 (if any), less an allowance for tax (if applicable), and any extra contributions on SG earnings over the OTE requirement are credited.
- A **Surcharge Account** into which any surcharge tax paid by the Plan on behalf of the Member is credited.

Each account (except the SuperSave Account excluding the excess contributions) is credited with interest at the Credited Interest Rate. The Credited Interest Rate is determined annually by the Trustee based on the investment earnings of the Defined Benefit Plan net of income tax and expenses. The SuperSave Account excluding the excess account is credited with investment earnings in line with the Member's chosen investment options.

Definitions

"Accrued Retirement Benefit" means the sum of the benefit accrual rates applying for each year of membership of the Plan multiplied by FAS. For packaged members, membership prior to 31 December 1999 is multiplied by pre-FAS.

There is a maximum to the Accrued Retirement Benefit equal to the lesser of 720% of FAS and 18% of FAS for each year of membership.

"Benefit Accrual Rate" means the percentage at which a member's lump sum benefit increases for each year of membership and is dependent on the member's nominated contribution rate for that year, as set out below:

Nominated Contribution Rate (post tax or equivalent pre-tax)	Benefit Accrual Rate
0%	8%
1%	10%
2%	12%
3%	14%
4%	16%
5%	18%
6%	20%
7%	22%
8%	24%

For each year of contributory membership prior to 1 July 1992, the benefit accrual rate is 18%. Where a member has purchased additional membership the benefit accrual rate is also 18% for that period.

In the case of part time members, the benefit accrual rate each year is multiplied by the ratio of the hours worked by the member each week to the standard hours per week for a full time member.

"Final Average Salary" (FAS) means the average rate of superannuation salary received over the last three years of membership, or in the case of a member who dies or retires due to Total and Permanent Disablement before age 60, is the FAS applying as if the member had continued in service until age 60 on the superannuation salary that applied at the date of death or Total and Permanent Disablement.

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"Pre-Final Average Salary" (Pre-FAS) means average rate of Pre-superannuation salary received over the last three years of membership, or in the case of a member who dies or retires due to Total and Permanent Disablement before age 60, is the Pre-FAS applying as if the member had continued in service until age 60 on the Pre-superannuation salary that applied at the date of death or Total and Permanent Disablement.

"Pre-Superannuation Salary" means the member's superannuation salary determined in accordance with the method used to determine superannuation salary prior to 31 December 1999.

"Projected Accrued Retirement Benefit" means 18% of FAS for each future year of membership to age 60.

"Superannuation Salary" means:

- for full time packaged members – 100% of package salary
- for other full time members – the annual rate of base salary
- for part time members – the annualised rate of base salary

Retirement Benefit

A member who leaves service after age 55 and who has completed five years' membership, is entitled to a Retirement Benefit. The member may elect to take:

- the lump sum option, or
- the complying pension option.

In addition, a lump sum benefit equal to the member's SuperSave Account less the Surcharge Account is paid.

The lump sum option is equal to the greater of:

- the member's Accrued Retirement Benefit,
- the member's lump sum Withdrawal Benefit, and
- the sum of:
  - the member's Accrued Retirement Benefit (calculated using service prior to 1 July 1992), plus
  - the member's Post 92 Member Account, plus
  - the member's SGC Account.

The complying pension option is:

- at least 50% of the lump sum option must be taken as a lump sum, plus
- a complying pension which is guaranteed for five years and has a 50% reversionary spouse pension.

The complying pension on retirement is equal to:

$$\frac{(100 - N)}{100} \times \frac{\text{Lump Sum Option}}{10.8} \times (1 - 0.03 \times T)$$

where:

- N is the percentage of the lump sum option that the member elects to receive in lump sum form.
- T is the number of years that the member's retirement precedes age 60.

Total and Permanent Disablement Benefit

If a Member becomes totally and permanently disabled while in service, a member may elect to take one of the following benefits:

- the lump sum option, or
- the complying pension option.

In addition, a lump sum benefit equal to the member's SuperSave Account less the Surcharge Account is paid.

The lump sum option on Total and Permanent Disablement (TPD) in service is equal to the greater of:

- the sum of:
  - the member's Accrued Retirement Benefit at the time of TPD, plus
  - if the member became totally and permanently disabled prior to age 60, the member's Projected Accrued Retirement Benefit,

  up to a maximum of 720% of FAS,
- the member's lump sum Withdrawal Benefit,
- the sum of:
  - the member's Accrued Retirement Benefit (calculated using service prior to 1 July 1992), plus
  - the member's Post 92 Member Account, plus
  - the member's SGC Account, and
- if the member became totally and permanently disabled prior to age 65, the sum of:
  - 200% of FAS, adjusted for part time members, plus
  - any contributions or amounts used to purchase service under various rules.

The complying pension option on TPD in service is equal to:

- a lump sum equal to 50% (or such greater amount as the member nominates) of the lump sum option on TPD, plus
- a pension equal to 50% of the lump sum option on TPD, divided by 10.8.

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Death before Retirement Benefit

On the death in service of a member, a death benefit is payable to the member's dependants. If the Trustee decides a death benefit is to be paid to the member's spouse, the spouse may elect either the lump sum option or the complying pension option. If the death benefit is payable to anyone else, the benefit is equal to the lump sum option.

In addition, a lump sum benefit equal to the member's SuperSave Account less the Surcharge Account is paid.

The lump sum option on death in service is equal to the greater of:

- the sum of:
  - the member's Accrued Retirement Benefit at the time of death, plus
  - if the member died prior to age 60, the member's Projected Accrued Retirement Benefit,

  up to a maximum of 720% of FAS,
- the member's lump sum Withdrawal Benefit,
- the sum of:
  - the member's Accrued Retirement Benefit (calculated using service prior to 1 July 1992), plus
  - the member's Post 92 Member Account, plus
  - the member's SGC Account, and
- if the member died prior to age 65, the sum of:
  - 200% of FAS, adjusted for part time members, plus
  - any contributions or amounts used to purchase service under various rules.

The complying pension option on death in service is equal to:

- a lump sum equal to 50% of the lump sum option on death, plus
- a spouse pension equal to 50% of the lump sum option on death divided by 10.8, plus
- for each dependent child (maximum of four to count) an allowance equal to 25% of the spouse pension. If there is only one dependent child, the child's allowance is equal to 40% of the spouse pension. A child's allowance is payable until age 18 but can be continued until 23 if the child is in full time education.

Death after Retirement Benefit

If a member elected the lump sum option on retirement or TPD, no further benefit is payable on death after retirement.

If a member elected the complying pension option, the following pensions are paid:

- to the spouse – a pension, equal to 50% of the member's pension,

- for dependent children – for each dependent child (maximum of four to count) an allowance equal to 25% of the spouse pension. If there is only one dependent child, the child's allowance is equal to 40% of the spouse pension. A child's allowance is payable to age 18 but can be continued to age 23 if the child is in full time education.

If the member dies within five years of retirement the spouse's or dependent children's pensions are equal to the member's pension for the balance of the five years. If no pensions are payable because there are no surviving dependants, a lump sum equivalent to the remaining payments in the five years after the member's retirement is paid.

Withdrawal Benefit

If a member leaves the service of the Bank for any other reason, a member will receive the greater of:

- the lump sum benefit, and
- if eligible, the discounted accrued benefit.

In addition, a lump sum benefit equal to the member's SuperSave Account less the Surcharge Account is paid.

The lump sum benefit is equal to:

- the member's Pre 92 Member Account, plus
- 10% of the member's Pre 92 Member Account for each year of membership, up to a maximum of 100%, plus
- the member's Post 92 Member Account, plus
- the greater of:
  - 10% of the member's Post 92 Member Account for each year of membership, up to a maximum of 100%, and
  - the member's SGC Account, plus
- additional contributions (if any) used to purchase additional membership.

A member is eligible to receive the discounted accrued benefit if they satisfy one of the following conditions:

- the member has been a member of the Plan for at least ten years, or
- the member is aged at least 40 and has been a member of the Plan for at least five years and joined the Plan on or prior to 11 October 1996.

The discounted accrued benefit is equal to the member's Accrued Retirement Benefit discounted by 2% for each year remaining from the date of leaving service to age 55.

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Total and Temporary Disablement Benefit

On Total and Temporary Disablement, an income at the rate of 70% of the member's superannuation salary is payable. In the case of part time members this benefit is based on the member's income in the fortnight prior to disablement.

The benefit does not commence until the member has been disabled for at least a week and all sick pay entitlements have been taken. The benefit is payable for a maximum of two years and not beyond age 65.

A member, while in receipt of this benefit, is deemed to be making nominated contributions at the rate of 5% of superannuation salary for defined benefits (if applicable).

Additional pension plan provisions

"Indexation of Pensions" **–** All pensions are adjusted each year at the lesser of 5% and the increase in the Consumer Price Index (CPI). The Trustee has discretion subject to Bank approval, to grant adjustments up to the CPI increase in any year where this exceeds 5%.

"Purchase of Pensions" **–** A member who is entitled to receive a retirement or TPD benefit may purchase a pension with the lump sum component of their benefit. The rates at which lump sums are converted to a pension are determined by the Plan's Actuary from time to time.

"Pensions Currently Being Paid" **–** The Plan currently provides pensions to a number of pensioners who retired from predecessor funds of the Plan and from other schemes sponsored by the Bank. Generally pensions are the same as those paid to new retiring members as described above. However, there are a number of special conditions associated with some of the pensions, in particular:

- Pensioners from the Officers' Provident Fund (Women Staff), Officers' Provident Fund (Male Staff) and pensioners from the Plan who retired prior to 15 July 1997 (under what are now the Schedule C Rules) have the option to commute or partially commute their pension every seven years. If they die during the seven year period any reversionary pension commences immediately. At the end of seven years they decide whether or not to commute their pension for the next seven years. Pensioners must give one year's notice of their intention to commute. The factors for seven year commutation are determined by the Trustee and reviewed by the Actuary after each triennial investigation.
- Most Plan pensions, except those payable under the Officers' Provident Fund (Women Staff), allow for a reversion to dependants. The percentage of the member's pension that is payable to a spouse on their death varies between pensioners. The reasons for the variations are that:
  - in the case of members who retired early under the Rules which applied prior to 1 July 1992 there was an early retirement discount that only applied to their pensions, not the reversionary pensions, and
  - in the past some members had the option to commute part of their pensions, but were not allowed to commute the reversionary component of their pension.

B. Former St George Plan Members

Ex-M&F Members Category

Normal Retirement Benefit

The benefit payable on a member's retirement at age of 60 is a lump sum equal to:

- Retirement Benefit Factor x Final Average Salary ("FAS"), plus
- Member Investment Choice Account, less
- Surcharge Account.

Where:

- Final Average Salary is the greater of the average of a member's Superannuation Salary ("Super Salary") on each 1 October over the last three (3) years and the Super Salary five (5) years prior to ceasing employment – this may also include a FAS Bonus for some members, and
- Retirement Benefit Factor for each benefit category is:

Category M&F A	Category M&F B	Category M&F C
15% x fund membership to retirement date	15% x fund membership to retirement date, plus 15% x each year over age 55 to age 60	10% x fund membership to age 40, plus 17.5% x fund membership from age 40, plus 15% x each year over age 55 to age 60

* Note: The Retirement Benefit Factor is subject to a maximum of 7.0.

Early Retirement Benefit

A member is permitted to retire from age 55 at their option. The benefit payable on early retirement is the member's Retirement Benefit based on membership completed at their actual retirement date.

Late Retirement Benefit

Upon reaching age 60, the normal retirement benefit will be crystallised into the Member Investment Choice Account. All future contributions are paid to this account.

Leaving Service Benefit

The benefit payable on leaving the Plan is a lump sum equal to:

- Compulsory Member Account as at 01/07/1992 x Vesting Scale 1, plus
- Compulsory Member Account from 01/07/1992 to 30/06/1998 x Vesting Scale 2, plus
- Compulsory Member Account from 01/07/1998 to 30/06/2000 x Vesting Scale 3, plus
- Compulsory Member Account from 01/07/2000 to 30/06/2002 x Vesting Scale 4, plus
- Compulsory Member Account post 01/07/2002 x Vesting Scale 5, plus
- Your Member Investment Choice Account, less
- Surcharge Account.

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Details of the relevant Vesting Scales are provided below:

Past Membership	Vesting Scale 1	Vesting Scale 2	Vesting Scale 3	Vesting Scale 4	Vesting Scale 5
0	100%	200%	220%	240%	250%
1	100%	200%	220%	240%	250%
2	100%	200%	220%	240%	250%
3	100%	200%	220%	240%	250%
4	100%	200%	220%	240%	250%
5	125%	200%	220%	240%	250%
6	130%	200%	220%	240%	250%
7	135%	200%	220%	240%	250%
8	140%	200%	220%	240%	250%
9	145%	200%	220%	240%	250%
10	150%	200%	220%	240%	250%
11	160%	200%	220%	240%	250%
12	170%	200%	220%	240%	250%
13	180%	200%	220%	240%	250%
14	190%	200%	220%	240%	250%
15	200%	200%	220%	240%	250%
16	210%	210%	220%	240%	250%
17	220%	220%	220%	240%	250%
18	230%	230%	230%	240%	250%
19	240%	240%	240%	240%	250%
20+	250%	250%	250%	250%	250%

Death Benefit and Total & Permanent Disablement (“TPD”) Benefit

The benefit payable on Death or Total & Permanent Disablement in service before age 60 is the member’s prospective Normal Retirement Benefit based on Super Salary at the date of death or disablement.

Total and Temporary Disablement ("TTD") Benefit

The benefit payable due to Total and Temporary Disablement is an amount payable monthly in arrears, after completion of a 90 day waiting period, for a maximum period of twenty-four (24) months and calculated at an annual rate equal to:

- 75.0% of Total Employment Cost ("TEC")/Award Salary up to $320,000, and
- 50.0% of TEC/Award Salary above $320,000,

subject to a total maximum benefit of $25,000 per month.

Member Contribution Rates

Members are required to contribute to the Plan at the rate of 5.0% of Super Salary up to age 60.

Minimum Benefits

All retirement benefits payable to members are subject to a minimum of the member's Leaving Service Benefit. In addition, a member's benefit is subject to a further minimum of the member's Minimum Requisite Benefit as defined in the Plan's Superannuation Guarantee Benefit Certificate.

Frozen Members

Certain members have a "Frozen Retirement Benefit Factor" in respect of their membership of the Previous Plan and do not accrue new defined benefits. Upon leaving the Plan for any reason they are provided with a benefit calculated in the same manner as for other Ex-M&F Members using this factor or their accumulation account balances that were also frozen previously.

Pre-1990 Members Category

Normal Retirement Benefit

The benefit payable on a member's retirement at age 60 is equal to a lump sum equal to:

a. The greater of:
   - Retirement Benefit Factor x Final Average Salary, and
   - Retirement Account, less

b. Member Investment Choice Account

c. Surcharge Account.

Where:

- Final Average Salary is defined as the greater of the average of a member's Super Salary on 1 July in each of the last three (3) years and the Super Salary five (5) years prior to ceasing employment, and
- Retirement Benefit Factor for each benefit category is a multiple fixed as at 1 July 1990.

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- Contribution to the Retirement Account are:
  - Category A: 25% of 69% of TEC
  - Category C: 20% of 71% of TEC
  - Categories E and G: 15% of 74% of TEC

Early Retirement Benefit

A member is permitted to retire from age 50 at their option. The benefit payable on early retirement is guaranteed not to be less than the member's Retirement Benefit based on membership completed at their actual retirement date, with a discount rate of 1% p.a. prior to age 55 applied to the Retirement Benefit Multiple calculation.

Late Retirement Benefit

Upon reaching age 60, the normal retirement benefit will be crystallised into the Member Investment Choice Account. All future contributions are paid to this account.

Leaving Service Benefit

The benefit payable on leaving the Plan is guaranteed not to be less than a lump sum equal to:

- where the member has completed less than seven (7) years Plan membership – the sum of the member's own contributions and allocated accumulation accounts, or
- where the member has completed seven (7) or more years Plan membership – the sum of the allocated accumulation account and discounted Early Retirement Benefit amount calculated as at the date of leaving the Plan. The discount rate is 1.5% prior to age 55.

Less the balance of their surcharge account.

Death Benefit and Total & Permanent Disablement ("TPD") Benefit

The benefit payable on Death or Total & Permanent Disablement in service before age 60 is the maximum of:

Category Pre-1990 1 (Category A)

- 15% of Super Salary x future membership to age 60 plus the Retirement Account,
- 3.45 x Super Salary, and
- Retirement Benefit Factor x 69% of TEC.

Category Pre-1990 2 (Category C)

- 20% of Super Salary x future membership to age 60,
- 3.55 x Super Salary, and
- Retirement Benefit Factor x 71% of TEC.

Category Pre-1990 3 (Categories E and G)

- 25% of Super Salary x future membership to age 60,
- 3.7 x Super Salary, and
- Retirement Benefit Factor x 74% of TEC.

Plus the Member Investment Choice Account,

Less the Surcharge Account.

Total and Temporary Disablement ("TTD") Benefit

No insured benefit is payable on leaving the Plan due to Total and Temporary Disablement.

Member Contribution Rates

Members are not required to contribute to the Plan.

Minimum Benefits

All benefits payable to members are subject to a minimum of the member's Minimum Requisite Benefit as defined in the Plan's Superannuation Guarantee Benefit Certificate.

C. Accumulation Plan

Eligibility

All new employees are eligible to join the Accumulation Plan upon commencement of employment with the Bank. All new permanent full time or part time employees will automatically become members of the Accumulation Plan.

Member contributions

Members are not required to contribute to the Accumulation Plan, but may do so if they wish to.

Bank contributions

The Bank contributes at the rates specified in the SG legislation, or such other rates as applicable to the terms of the benefit design applicable to the relevant Accumulation Member.

Death and Total and Permanent Disablement benefits

On death or total and permanent disablement, a member is entitled to a lump sum equal to:

- their Account, plus
- an Insured Benefit.

The Insured Benefit is determined pursuant to the terms of the relevant Accumulation Member's membership of the Plan.

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Total and Temporary Disablement Benefit

An Accumulation Member may be entitled to an income benefit should they be temporarily disabled, pursuant to the terms of relevant Accumulation Member's membership of the Plan.

Withdrawal Benefit

When a member leaves service for any reason other than death or Total and Permanent Disablement, the full Account balance of the member is paid.

Account balances

Each member may choose where their Account balance is invested from the options available.
The value of the member's account balances are determined using a unit price calculated daily by the custodian for each type of unit.

Appendix B: Details of Membership

Details of active membership as at 30 June 2024

Membership Category	Number of Members	Total Salaries ($ million)	Average Salaries ($)	Average Age (years)	Average Completed M'ship (years)
Active Members					
Females	767	93.2	121,577	56.4	30.9
Males	359	61.6	171,500	56.4	31.5
Total for Active Members	**1,126**	**154.8**	**137,494**	**56.4**	**31.1**

Other Members					
Notified Exits	23	n/a	n/a	n/a	n/a
Non Member Spouses	21	n/a	n/a	n/a	n/a
Total	**1,170**				

Superannuation salary increases

The average annual rate of superannuation salary increases for active DB Plan members since the last investigation for those members who have been employees throughout the review period was approximately 3.4% p.a.

Details of pensioner membership as at 30 June 2024

Membership Category	Number	Total Pensions ($'000)	Average Pension ($)	Pensions in Payment* ($'000)	Average Age (years)
Retired Members:					
Females	875	18,830	21,520	18,557	70.0
Males	933	47,294	50,691	46,736	72.1
Dependants	307	8,351	27,203	7,592	80.7
Total	**2,115**	**74,476**	**35,213**	**72,885**	**72.5**

* Excludes pensions temporarily commuted

Pension increases

The actual pension increase rate since the last investigation applied at 1 January 2024 was 5.0% p.a.

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Appendix C: Changes to Membership

Changes in Active Membership for the Period 30 June 2023 to 30 June 2024

Category	Membership at 30 June 2023	Membership at 30 June 2024
Active members		
Females	851	767
Males	420	359
Total	**1,271**	**1,126**

Changes in Pension Membership for the Period 30 June 2023 to 30 June 2024

Category	Membership at 30 June 2021	Membership at 30 June 2024
Pensioners	2,043	2,115

Appendix D: Valuation Method and Assumptions

Valuation Method

Attained Age Normal Method.

Asset Value

Market value taken from the unaudited accounts at the investigation date.

Investment Returns

6.70% p.a. (net of tax and investment fees) in respect of the DB Actives Pool

6.75% p.a. (gross of tax, and net of investment fees and net of 0.05% p.a. administration fees) in respect of the DB Pensions Pool

Rate of Pension Increases

2.75% p.a. compound.

Inflationary Salary Increase

3.75% p.a. compound.

Rates of Mortality, TPD, and Leaving Service (Active Members)

Examples of rates at which members leave the Plan per year per 10,000 members:

Age	Death	TPD	Leaving Service
35	6	4	781
40	7	6	604
45	10	11	460
50	16	21	361
55	23	39	0
60	36	68	0

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Rates of Mortality (Pensioners)

Examples of rates at which Pensioners leave the Plan per year per 10,000 Pensioners:

Age	Male	Female
65	73	42
70	116	72
75	197	126
80	352	237
85	651	471
90	1,139	916
95	1,682	1,532
100	2,270	2,312

The rates are assumed to reduce by 2.0% p.a. from 1 July 2016.

Rates of Early Retirement

The number of members reaching a given age who are expected to retire per year per 10,000 members:

Age	
55	1,000
56	1,000
57	1,000
58	2,000
59	2,000
60	3,000
61	3,000
62	3,000
63	3,000
64	3,000
65	10,000

Number of Dependent Children

Examples of the number of dependent children are set out below:

Age	Male	Female
20	0.34	0.34
25	0.52	1.05
30	1.36	1.77
35	2.02	2.33
40	2.55	2.65
45	2.46	2.30
50	1.75	1.00
55	0.72	0.46
60	0.36	0.21
65	0.00	0.00

Future Expense Allowance

Investment fees are allowed for in the investment returns shown above which are assumed to be net of investment expenses.

For Active members, administration expenses of 0.05% p.a. of assets (for both investment custody costs and pure administration costs) have been assumed to represent 0.5% of superannuation salaries, which will be funded by the Bank on an ongoing basis. For pensioner members, the discount rate has been reduced by 0.05% p.a. to account for future administration expenses.

Insurance Premiums

Total and Temporary Disablement insurance costs in respect of the Defined Benefit members equal to 0.70% of superannuation salaries have been allowed for.

Group life insurance costs in respect of the Defined Benefit members equal to 0.42% of superannuation salaries have been allowed for in determining deductible expenses for tax purposes.

New Entrants

No allowance for new entrants.

Taxes

Tax on investment income is allowed for in the investment returns shown above.

Tax on contributions has been allowed for at 15% of Bank contributions reduced by allowable deductions (administration and insurance costs). No allowance has been made for GST or Reduced Input Tax Credits.

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Surcharge Tax

No allowance has been made for the Surcharge Tax as the Trustee offsets any tax payable by the Plan against the benefits of the relevant members, if the member does not reimburse the Plan for the surcharge payable.

Pension take-up rate

It has been assumed, in the case of members eligible to take part of their benefit as a pension, that 75% of members retiring after age 55 will elect to convert 50% of their lump sum to a pension, using the complying pension option under the Participating Schedule.

Marital Status

We have maintained our assumption used at the previous investigation, concerning the proportions of members married.

In valuing pensions, we have assumed males are three years older than their spouses.

Composition of Membership

It has been assumed that members remain in their current Category and continue to contribute at the rate at which they were contributing at the investigation date.

Appendix E: Statements required under Regulation 23 of SPS 160

The statements made here are in relation to the Westpac Group Plan (the “Plan”) within the Mercer Super Trust (MST) in connection with the actuarial investigation I conducted effective 30 June 2024. The statements required under paragraphs 23(a) to (h) of SPS 160 for regular investigations are set out below. Note, these statements are provided in relation to the Plan’s defined benefit liabilities only.

(a) Plan Net Assets

The market value of the Plan’s Net Assets attributable to the defined benefit liabilities at 30 June 2024 was $2,125.1 million. This amount excludes assets attributable to accumulation members or the accumulation balances of defined benefit members, is net of the Plan’s self-insurance reserve, and excludes any Operational Risk Financial Requirement (ORFR) reserve.

This value of Net Assets at 30 June 2024 was used to determine the recommended Company contribution rates and assess the funding status measures and is also referred to as the “actuarial value” of the assets.

(b) Projection of Vested Benefits

The projected likely future financial position of the defined benefit section of the Plan during the three years following the investigation date and based on my best estimate assumptions is as follows:

Date	Net Assets ($m)	Vested Benefits ($m)	Vested Benefits Index (%)
30 June 2024	2,125	1,877	113.2%
30 June 2025	2,113	1,860	113.6%
30 June 2026	2,112	1,851	114.1%
30 June 2027	2,107	1,837	114.7%

(c) Accrued Benefits

In my opinion, the value of the Net Assets of the defined benefit members of the Plan (excluding any amount held to meet the ORFR) at 30 June 2024 was adequate to meet the liabilities in respect of the accrued benefits of defined benefit members of the Plan (measured as the value of members’ accrued entitlements using the valuation assumptions). We consider that the assumptions and valuation methods set out in this report are appropriate for determining the accrued liability.

(d) Vested Benefits

At 30 June 2024 the Plan was in a satisfactory financial position, as defined in SPS 160. In my opinion the Plan does not need to be treated as being in an unsatisfactory financial position. As part of this investigation, I have recommended that the Trustee retain a Shortfall Limit for the Plan of 98%.

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(e) Minimum Benefits

At 30 June 2024, the value of the minimum benefits of all defined benefit members of the Plan (including pensioners and notified exits) was $1,748.2 million which was less than the defined benefit Net Assets at that date. Minimum benefits are as defined in Regulation 5.04 of the Superannuation Industry (Supervision) Regulations.

The coverage of the MRBs for defined benefit members of the Plan as at 30 June 2024 was 121.6%.

(f) Funding and Solvency Certificates

A Funding and Solvency Certificate dated 14 August 2023, and effective from 1 April 2023, has been issued to the Trustee of the Plan. The Plan was solvent, as defined in the Superannuation Industry (Supervision) Regulations at 30 June 2024. In my opinion, the solvency of the Plan will be able to be certified in any other Funding and Solvency Certificate required under the Regulations during the three year period to 30 June 2027.

(g) Recommended Company Contributions

In the absence of any special circumstances, we recommend that the Bank pay contributions in respect of Defined Benefit members of no less than:

- 19.5% of active defined benefit members' superannuation salaries from 30 June 2024 to 31 March 2025, plus
- 16.9% of active defined benefit members' superannuation salaries from 31 March 2025, plus
- the cost of members' nominated and voluntary salary sacrifice contributions, plus
- the cost of any additional contributions of the Bank in respect of service recognition contributions and pre-elected bonus contributions and any extra contributions required to satisfy the SG requirement in respect of a member.

In relation to the Accumulation Plan, in respect of Accumulation Members:

- we understand the Bank contributes at the rates specified in the SG legislation, or such other rates as applicable to the terms of the benefit design applicable to the relevant Accumulation Member, and
- we have been advised that the Bank contributes a monthly amount, determined by Mercer, to fund the death, total and permanent disablement, and total and temporary disablement premiums in respect of Accumulation Members, and that any difference between the amounts contributed and actual premiums is reconciled and adjusted monthly.

(h) Defined Benefit Pensioners

In my opinion, as at 30 June 2024 there is a high degree of probability that the Plan will be able to pay pensions as required in the governing rules.

Luke Carroll
Fellow of the Institute of Actuaries of Australia

11 December 2024

D:HN | TR:RC | ER,CR:LAC | SPR:NW

Towers Watson Australia Pty Ltd
ABN 45 002 415 349 AFSL 229921
Level 16, 123 Pitt Street
Sydney NSW 2000
Australia

T +61 2 9285 4000

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